



# Loan Forgiveness and Cancellation

The New Jersey Department of Education has developed this guide to help every eligible New Jersey educator reap the benefits of the national [loan forgiveness program](#).

## Glossary

**Educational Service Agency:** A regional public multiservice agency (not a private organization) that is authorized by state law to develop, manage, and provide services or programs to local education agencies, such as public school districts.

**Loan Cancellation:** A process by which educators can qualify for part or all of the total amount of the loan to be canceled while still in deferment. Cancellation is considered on a yearly basis and educators must re-apply each year.

**Loan Forgiveness:** A process by which the Federal Government forgives a part of specific loans once an educator's loans have entered into repayment

**Subsidized Loan:** A loan where the federal government pays the accrued interest before loans are paid back

**Unsubsidized Loan:** A loan where the borrower is completely responsible for all interest accrued

## **STEPS FOR TEACHERS LOOKING TO QUALIFY FOR LOAN FORGIVENESS OR CANCELLATION:**

### **Step 1: Identify your type of loans**

- ✓ A Direct Subsidized Loan, Direct Unsubsidized Loan, Subsidized Federal Stafford Loan, and Unsubsidized Federal Stafford Loan all qualify for **Loan Forgiveness**
- ✓ A Perkins loan qualifies for **Loan Cancellation**
- ✓ A PLUS Loan does NOT qualify for forgiveness or cancellation

### **Step 2: Determine if you are an eligible educator**

#### ✓ Eligibility Requirements for Loan Forgiveness

*Any educator who:*

- **Has 5 consecutive years of full time service in an eligible school as listed on the Teacher Cancellation Low Income (TCLI) List; or at an Educational Service Agency after 2007-2008**
  - **To be on the [TCLI list](#)** your school had to submit yearly data stating that they serve 30% or more Free and Reduced Price lunches and receive Title I funding
- Began teaching after the **1997-1998 school year**
- Has no outstanding balances or is in default on any loans
- Has loans that have been created before the end of the 5-year commitment

#### ✓ Eligibility Requirements for Loan Cancellation

*Any educator who:*

- **Has 1 year of full-time teaching service in the area of Special Education or a shortage area; has 1 year of full-time teaching in a non-profit private school; or has worked at an Education Service Agency after August 14<sup>th</sup> 2008**
  - Special Education includes: speech, physical therapy, occupational therapy, psychologists and counseling services, and recreational therapy
  - Shortage area includes: Bilingual/Bicultural, World languages, Science, Math, ESL, Elementary w/subject specialization in Math, Science, or World Languages, and Special Education
- Has applied to defer loan payments while teaching

### **Step 3: Request an application**

#### ✓ **Loan Forgiveness**

- Access the application:

<http://ifap.ed.gov/dpccletters/attachments/GEN1216Attac18450059TLFAppFINALExp20140531.pdf>

### ✓ **Loan Cancellation**

- Request the form from the school that administered your Perkins Loan

## **Step 4: Submit documentation with the loan provider**

### ✓ **Loan Forgiveness**

- The amount of forgiveness varies on the subject you teach, when you taught, and whether or not you were considered a Highly Qualified full-time teacher

### ✓ **Loan Cancellation**

- 15% for 1<sup>st</sup> year and 15% for 2<sup>nd</sup> year
- 20% for 3<sup>rd</sup> year and 20% for 4<sup>th</sup> year
- 30% for 5<sup>th</sup> year, totaling 100% over 5 years

## **TROUBLE-SHOOTING**

### *If you have completed AmeriCorps service...*

- DO NOT USE or APPLY any of the AMERICORPS funding towards any loans prior to receiving forgiveness. Using any kind of AmeriCorps grants or funding will disqualify an educator from being able to receive forgiveness.
- If you have already applied some of your grant money, you may still be able to apply for cancellation for only your Perkins loans.

### *If you are a Teach for America teacher...*

- TFA corps members qualify after their coursework is complete. Corps members that already have their teaching certificate will only have to teach for 5 years, but an uncertified corps member needs to teach for 7 years to be able to qualify for forgiveness; this is because during the first two years your loans were not in repayment.
- DO NOT USE or APPLY any of your AMERICORPS funding towards your loans- this includes interest payments- otherwise you are no longer eligible for forgiveness.
- If you have already applied some of your grant money, you may still be able to apply for cancellation for only your Perkins loans.

### *If you have changed schools multiple times...*

- You must have ALL administrators from ALL of your schools sign off on the application.
  - *For example: You are requesting forgiveness for 5 years of service and during that 5 years you were at 3 different **yet eligible** schools. Therefore, you must have each of those 3 administrators confirm your service at their school during those years.*

### *If you stopped teaching in the middle of a school year...*

- For that year to count towards eligibility you must prove that at least half of the year was served and your employer considered it a full year for pension, retirement or salary applications; or your FMLA was approved; or you had active duty for more than 30 days; or you were a part-time student in area they are teaching.

### *If you consolidated your loans...*

- Only the **Direct and FFEL Consolidation Loan programs** are approved for any forgiveness. Also, only the portion of the consolidation loan used to repay the eligible loans (see top) qualifies for loan forgiveness.

### **Other useful websites to give you specific information on your loans:**

[AES](#)

[FedLoanServicing](#)

[PerkinsLoans](#)

If you have any further questions or need assistance in the process please contact the Office of Recruitment and Preparation:

[loans@doe.state.nj.us](mailto:loans@doe.state.nj.us)